

Message Text

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12

ACTION XMB-07

INFO OCT-01 EUR-25 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 MC-02 FAA-00 RSR-01 /102 W

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R 150645Z AUG 73

FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC 6147

LIMITED OFFICIAL USE BUCHAREST 2965

E.O. 11652: N/A

TAGS: EGEN, RO

SUBJECT: PROPOSED S-61 HELICOPTER PRODUCTION

REF: A) STATE 157160; B) BUCHAREST 2857

1. IN ADDITION TO OUR COMMENTS CONTAINED REF B WE FEEL EXIMBANK SHOULD ALSO CONSIDER FOLLOWING ASPECTS THIS PROPOSED SALE:

A) GOR HAS MADE THE EXPANSION OF ITS AVIATION INDUSTRY AN INTEGRAL PART OF ITS NATIONAL ECONOMIC DEVELOPMENT PLAN SUPPORTING AND COMPLEMENTING OTHER SECTORS SUCH AS INDUSTRY AND AGRICULTURE IN WHICH THERE IS AMPLE FOREIGN (INCLUDING US) AND INTERNATIONAL (UNITED NATIONS) PARTICIPATION. THE PLANNING PROCESS IS DETAILED, CONTROLLED AND TIME CONSUMING, AND, WHILE NOT OBVIATING ERROR, AT LEAST ASSURES THAT EACH MAJOR PROJECT HAS BEEN GIVEN CONSIDERABLE CONSIDERATION IN ALL ITS ASPECTS AND, PERHAPS MORE IMPORTANT FROM A FINANCIAL POINT OF VIEW, ASSURES THAT THE MEANS HAVE BEEN ORGANIZED TO REPAY THE OBLIGATION.

B) ACCORDING TO RECENT CONVERSATIONS HERE, CURRENT GOR THINKING IS IN TERMS OF TWO-WAY TRADE BETWEEN THE US AND ROMANIA REACHING ABOUT \$200 MILLION IN 1973 AND UP TO \$300-400 MILLION IN THE NEAR FUTURE. (AT PRESENT, ACCORDING TO DEPARTMENT COMMERCE FIGURES, US-ROMANIAN TRADE IS RUNNING AT ANNUAL RATE OF ABOUT \$180 MILLION COMPARED WITH ABOUT \$90 MILLION ANNUAL RATE AT SAME TIME LAST YEAR.) ROMANIA IS OBVIOUSLY EXERTING EVERY LIMITED OFFICIAL USE

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EFFORT TO EXPAND ECONOMIC AND COMMERCIAL RELATIONS. TO TURN DOWN

WHAT WOULD BE THE LARGEST VALUE PROJECT ON RECORD BETWEEN US AND ROMANIA COULD HAVE AN ADVERSE EFFECT ON FAVORABLE DEVELOPMENT OF THIS TRADE.

C) THIS LARGE EXPORT SALE NOT ONLY FITS INTO THE SCALE OF US-ROMANIAN TRADE AS FORESEEN BY ROMANIA ITSELF, BUT WOULD BE A FACTOR IN OUR OWN BALANCE OF PAYMENTS AND DOMESTIC EMPLOYMENT CONSIDERATIONS.

D) SIKORSKY REPS (AS WELL AS BELL AND BOEING) AND THIS EMBASSY HAVE CHASED DOWN THIS PROJECT FOR MORE THAN SIX MONTHS UNDER THE IMPRESSION THAT US WOULD WANT TO TAKE THIS EXPORT SALE RATHER THAN LET IT GO TO THIRD COUNTRY, IN THIS CASE FRANCE. BY FAILING TO FINANCE THE PROJECT, WE WILL RUN A CONSIDERABLE RISK OF GIVING ROMANIA AN IMPRESSION THAT WE ARE NOT SERIOUS AFTER ALL IN PURSUING THIS CONTRACT DESPITE THE EFFORT PREVIOUSLY MADE TO CONVEY SUCH AN IMPRESSION OF SERIOUS INTENT. EMBARRASSMENT WOULD BE ALL THE GREATER SINCE BOTH EMBASSY AND US FIRMS HAVE REPEATEDLY SOUGHT ASSURANCES FROM ROMANIANS THAT THEY THEMSELVES WERE SERIOUS, AND NOT ATTEMPTING TO USE US BIDS AS DEVICE TO PRESSURE FRENCH.

2. WE FEEL THAT EXIMBANK SHOULD RECONSIDER SIKORSKY'S APPLICATION FOR PRELIMINARY COMMITMENT. FURTHERMORE, WE DO NOT BELIEVE THAT SIKORSKY SHOULD BE URGED TO SUBMIT A SCALED-DOWN PROPOSAL, BUT SHOULD HAVE THE BENEFIT OF A RECONSIDERATION OF FULL PROGRAM AS IT STANDS.

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